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Sun East Technology (Holdings) Limited

日東科技（控股）有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 365)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

ANNUAL RESULTS

The Board of Directors (the “Board”) of Sun East Technology (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2014 together with the comparative figures of the corresponding last year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

		2014	2013
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	787,603	565,372
Cost of sales		(679,266)	(484,963)
Gross profit		108,337	80,409
Other income and gains	4	20,049	23,373
Selling and distribution costs		(55,749)	(46,805)
Administrative expenses		(53,747)	(44,586)
Other expenses		(5,229)	(1,508)
Finance costs	5	(865)	(1,492)
Profit before income tax	6	12,796	9,391
Income tax expense	7	(3,370)	(3,653)
Profit for the year attributable to owners of the Company		9,426	5,738

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

For the year ended 31 March 2014

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000
Other comprehensive income			
Surplus on revaluation of properties held for own use		9,373	19,499
Deferred tax relating to revaluation surplus		(2,258)	(4,124)
Exchange gain on translation of financial statements of foreign operations		2,682	715
Other comprehensive income for the year, net of tax		9,797	16,090
Total comprehensive income for the year attributable to owners of the Company		19,223	21,828
Earnings per share for profit attributable to owners of the Company			
– Basic	8	HK1.80 cents	HK1.09 cents
– Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK\$'000	2013 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		165,129	159,972
Prepaid land lease payments		9,705	9,788
Available-for-sale financial assets		1,262	—
		<u>176,096</u>	<u>169,760</u>
Current assets			
Inventories		119,301	85,293
Trade and bills receivables	9	266,671	172,173
Prepayments, deposits and other receivables		21,909	19,564
Derivative financial instruments		451	—
Tax reserve certificates		3,600	3,600
Taxes recoverable		191	191
Pledged deposits		68,044	53,563
Structured bank deposit		—	14,581
Cash and bank balances		88,525	137,946
		<u>568,692</u>	<u>486,911</u>
Current liabilities			
Trade and bills payables	10	156,382	109,490
Other payables and accruals		144,273	132,678
Bank borrowings		60,967	48,296
Derivative financial instruments		460	1,343
Taxes payable		33,881	31,811
		<u>395,963</u>	<u>323,618</u>
Net current assets		<u>172,729</u>	<u>163,293</u>
Total assets less current liabilities		<u>348,825</u>	<u>333,053</u>
Non-current liabilities			
Deferred tax liabilities		16,920	15,121
Net assets		<u><u>331,905</u></u>	<u><u>317,932</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		52,500	52,500
Reserves		279,405	265,432
Total equity		<u><u>331,905</u></u>	<u><u>317,932</u></u>

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

2. ADOPTION OF NEW OR AMENDED HKFRSs

During the year, the Group has adopted all the new and amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these new and amended HKFRSs did not result in material changes to the Group’s accounting policies.

Amendments to HKAS 1 (Revised)-Presentation of Items of Other Comprehensive Income

The amendments change the disclosure of items presented in other comprehensive income in the statement of comprehensive income and require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has been changed to “Statement of profit or loss and other comprehensive income”. The Group has chosen to use this new title.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

2. ADOPTION OF NEW OR AMENDED HKFRSs (*Continued*)

HKFRS 13 Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 “Financial Instruments: Disclosures”. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group’s assets and liabilities and therefore has no effect on the Group’s financial position and performance.

Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 “Financial instruments: Presentation” and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has no offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

New/amended HKFRSs that have been issued but are not yet effective

At the date of this results announcement, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group’s accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group’s accounting policies is provided below.

HKFRS 9 Financial instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

3. SEGMENT INFORMATION

The executive directors have identified the Group's two product lines as reportable segments:

- (i) Production lines and production equipment – Design, manufacture and sale of production lines and production equipment.
- (ii) Brand name production equipment – Trading and distribution of brand name production equipment

	Production lines and production equipment		Brand name production equipment		Consolidated	
	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	442,037	318,854	345,566	246,518	787,603	565,372
Other revenue – external	11,744	16,003	–	–	11,744	16,003
Reportable segment revenue	<u>453,781</u>	<u>334,857</u>	<u>345,566</u>	<u>246,518</u>	<u>799,347</u>	<u>581,375</u>
Reportable segment results	<u>10,709</u>	<u>10,500</u>	<u>6,217</u>	<u>1,616</u>	<u>16,926</u>	<u>12,116</u>
Depreciation and amortisation	10,104	9,518	–	–	10,104	9,518
Loss/(Gain) on disposal of property, plant and equipment	20	(140)	–	–	20	(140)
Provision for impairment of trade and bills receivables	5,161	1,151	–	–	5,161	1,151
Provision for impairment of other receivables	–	329	–	–	–	329
Write-down of inventories to net realisable value	2,859	2,678	–	–	2,859	2,678
Write-off of property, plant and equipment	68	28	–	–	68	28
Reportable segment assets	433,757	363,476	146,495	81,555	580,252	445,031
Capital expenditure	3,195	9,872	–	–	3,195	9,872
Reportable segment liabilities	<u>209,844</u>	<u>184,896</u>	<u>89,148</u>	<u>55,073</u>	<u>298,992</u>	<u>239,969</u>

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2014	2013
	HK\$'000	HK\$'000
Reportable segment results	16,926	12,116
Rental income	14	13
Interest and other corporate income	8,291	7,357
Corporate expenses	(11,570)	(8,603)
Finance costs on bank borrowings	(865)	(1,492)
Profit before income tax	<u>12,796</u>	<u>9,391</u>

3. SEGMENT INFORMATION (Continued)

	2014 HK\$'000	2013 HK\$'000
Segment assets		
Production lines and production equipment	433,757	363,476
Brand name production equipment	146,495	81,555
	580,252	445,031
Available-for-sale financial assets	1,262	—
Derivative financial instruments	451	—
Tax reserve certificates	3,600	3,600
Taxes recoverable	191	191
Pledged deposits	68,044	53,563
Structured bank deposit	—	14,581
Cash and bank balances	88,525	137,946
Other corporate assets	2,463	1,759
Total assets	744,788	656,671
Segment liabilities		
Production lines and production equipment	209,844	184,896
Brand name production equipment	89,148	55,073
	298,992	239,969
Bank borrowings	60,967	48,296
Derivative financial instruments	460	1,343
Deferred tax liabilities	16,920	15,121
Other corporate liabilities	35,544	34,010
Total liabilities	412,883	338,739

The Group's revenue from external customers and segment assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets (excluded available-for-sale financial assets)	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Mainland China (domicile)	747,970	518,575	152,139	146,854
Hong Kong	13,308	18,823	22,695	22,906
Europe (principally Spain and Germany)	19,766	20,600	—	—
Others (principally Japan and Singapore)	6,559	7,374	—	—
	787,603	565,372	174,834	169,760

3. SEGMENT INFORMATION *(Continued)*

The geographical location of customers is based on the location at which the goods delivered. The geographical location of non-current assets is based on the physical location of the assets. The Company is an investment holding company where the Group has majority of its operation and workforce in Mainland China, and therefore, Mainland China is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

4. REVENUE, OTHER INCOME AND GAINS

The Group's turnover, represents revenue from its principal activities, measured at the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of revenue, other income and gains is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue – sale of goods	787,603	565,372
Other income:		
Rental income	14	13
Bank interest income	3,021	3,553
Impairment loss on trade receivables written back	2,893	10,201
Government grants*	583	1,852
Sales of scrap	2,648	2,741
Discount received on the settlement of other payables	2,455	–
Others	2,344	1,069
	13,958	19,429
Gains:		
Exchange gain, net	6,091	3,804
Gain on disposal of property, plant and equipment	–	140
	6,091	3,944
Other income and gains	20,049	23,373

- * Non-refundable government subsidies were received from the PRC government for subsidising the Group in conducting and launching projects relating to research and development activities. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within one year	<u>865</u>	<u>1,492</u>
Total interest on financial liabilities stated at amortised cost	<u>865</u>	<u>1,492</u>

6. PROFIT BEFORE INCOME TAX

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The Group's profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	544,599	388,835
– including write-down of inventories to net realisable value	2,859	2,678
Depreciation	9,836	9,255
Fair value loss on derivative financial instruments	909	130
Research and development costs	5,971	4,993
Minimum lease payments under operating leases in respect of leasehold land and buildings	1,504	1,008
Loss/(Gain) on disposal of property, plant and equipment	20	(140)
Auditor's remuneration	900	900
Staff costs (including directors' remuneration)		
– Wages and salaries	122,019	91,598
– Defined contribution scheme	7,754	6,203
	<u>129,773</u>	<u>97,801</u>
Amortisation of prepaid land lease payments	268	263
Provision for impairment of trade and bills receivables	5,161	1,151
Provision for impairment of other receivables	–	329
Write-off of property, plant and equipment	<u>68</u>	<u>28</u>

7. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
Current tax – Elsewhere		
– Tax for the year	4,502	3,653
– Over-provision in prior year	(673)	–
	<u>3,829</u>	<u>3,653</u>
Deferred tax	(459)	–
Income tax expense	<u><u>3,370</u></u>	<u><u>3,653</u></u>

No Hong Kong profits tax was provided as the Group did not generate any assessable profits arising from its operations in Hong Kong during the current and prior years. Taxes assessable in elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

The PRC enterprise income tax for foreign enterprises have been calculated on the estimated assessable profits for the year at 25% except that 日東電子科技(深圳)有限公司 is granted the tax benefit for the National High-Tech Enterprise for three years starting from the year ended 31 December 2011. It is subject to income tax rate of 15%.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of approximately HK\$9,426,000 (2013: HK\$5,738,000) attributable to owners of the Company, and 525,000,000 (2013: 525,000,000) ordinary shares in issue during the year.

Diluted earnings per share for the year ended 31 March 2014 and 2013 are not presented as there were no potential ordinary shares in issue during the year.

9. TRADE AND BILLS RECEIVABLES

The normal credit period granted by the Group to its customers, each of which has a maximum credit limit, ranges from 30 to 180 days (2013: 30 to 180 days).

Ageing analysis of trade and bills receivables as at the reporting dates, based on the date of revenue recognition and net of provision, is as follows:

	2014 HK\$'000	2013 HK\$'000
Within 90 days	105,868	87,846
91 to 120 days	22,864	7,528
121 to 180 days	26,829	19,906
181 to 360 days	71,006	20,799
Over 360 days	40,104	36,094
	<u><u>266,671</u></u>	<u><u>172,173</u></u>

10. TRADE AND BILLS PAYABLES

Ageing analysis of trade and bills payables as at the reporting dates, based on invoice date, is as follows:

	2014 HK\$'000	2013 HK\$'000
Within 90 days	147,663	84,839
91 to 120 days	1,682	9,324
Over 120 days	7,037	15,327
	<u>156,382</u>	<u>109,490</u>

11. DIVIDEND

(a) Dividends attributable to the year

	2014 HK\$'000	2013 HK\$'000
Proposed final dividend of Nil (2013: HK\$0.01) per share	<u>—</u>	<u>5,250</u>

Final dividend proposed after the reporting date had not been recognised as a liability at the reporting date, but reflected as an appropriation of retained earnings for the year ended 31 March 2013 to proposed final dividend reserve. The proposed final dividend was to be distributed subsequent to the reporting date and was subject to the approval of the Company's equity holders in the forthcoming annual general meeting.

(b) Dividend attributable to the previous financial year, approved and paid during the year:

	2014 HK\$'000	2013 HK\$'000
Final dividend in respect of the previous financial year, of HK\$0.01 (2013: Nil) per share	<u>5,250</u>	<u>—</u>

12. COMMITMENTS

At the reporting date, the Group had the following outstanding commitments:

(a) Operating lease commitments – as lessee

The Group leases certain of its offices premises under operating lease arrangements. Leases for these assets are negotiated for the terms ranging between one and three years.

At 31 March 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	1,604	377
In the second to fifth years, inclusive	384	81
	<u>1,988</u>	<u>458</u>

(b) Capital commitments

	2014 HK\$'000	2013 HK\$'000
Contracted but not accounted for in respect of acquisition of property, plant and equipment	<u>169</u>	<u>807</u>

13. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 March 2014 and 2013.

14. RELATED PARTY TRANSACTIONS

Key management remuneration

The remuneration of the directors and other members of key management during the year were as follows:

	2014 HK\$'000	2013 HK\$'000
Short term employee benefits	10,757	7,285
Post-employment benefits	125	130
	<u>10,882</u>	<u>7,415</u>

CHAIRMAN STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Sun East Technology (Holdings) Limited, I am pleased to present the audited annual results of the Company and its subsidiaries (the “Sun East Group”) for the year ended 31 March 2014.

Review

The global economy has still not fully recovered in 2013/14, with the U.S economy still in a recovery state and the China economy growth continuing to slow down, the development of automation in PRC companies provide many business opportunities and challenging to the Group.

The turnover of the Group for the year ended 31 March 2014 amounted to HK\$787.6 million, representing an increase of approximately 39% from that of last financial year, which was in line with last year sales target. This was secured by the last year strategy – profit margin small relative to sales quantity and fully utilisation of production capacity. This business growth mainly came from the automated and logistics business and production line equipment business, with a 119% and 28% sales growth respectively. The OEM division kept at equilibrium level.

Aligning the current situation with the Group’s future goals and prospects, on the management level, there were adjustments made on the organizational structure, internal risk control and budgeting policies. The Group had also invested more resources in experienced staff recruitment and restructuring each business division to strengthen the Group’s future development and growth.

Outlook

For Sun East Group has reached a milestone of 30 years, specialized in providing customized intelligent solutions to manufacturing industries. In the foreseeable future, we can see that the Chinese government will invest heavily in Smart City projects, as a result powering the growth in infrastructure and intelligent systems. I believe the Group will be able to capture this potential market, bringing a new growth to the Company.

Later on, the Group will implement lean management. The Group will also synergize resources in marketing, quality, new product development, purchasing and finance in order to increase our competitiveness. This year’s core principle is: ‘actively steers the Group into Intelligent Manufacturing Systems Equipment strategic direction by seizing opportunities, crisis and operations management to continuing being the forefront of the market’.

Appreciation

On behalf of the Board, I would like to extend my heartfelt thanks to the 30 years of support and trust of our shareholders and business partners. I would also like to thank the effort and contribution of the Group’s employees throughout the year. The Group will continue to strive to create better returns for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Sun East Production Line Equipment Business

Due to the development and universal usage of the backlight technology in China and the promotion of LED light by Guangdong government – requires that within three years after May 2012 all new constructed public areas should use the LED light, the demand for SMT machines and semi-conductor surge. But these products are in the mature market with high transparency and competitiveness, the Company cannot set price on its own wish.

During the year, sale of SMT and welding related equipment amounted to approximately HK\$507.3 million, representing an increase of 27.2% when compared to approximately HK\$398.7 million in last year. The sale price did not increase with the rise in demand, on the contrary it was slimmed by the increased labour cost. The gross profit ratio was decreased from 14.5% to 13.3%.

OEM Industry

With the increase of China's production costs such as wages and raw materials, the profit of OEM business is slimmed. The sales amount remained steady level. Compared with last year, the sale amount slightly increased from approximately HK\$62.8 million to approximately HK\$72.3 million, represented increased of 15.1%. Due to direct labour costs increased, there was a big drop in the profit margin.

Because of the market conditions, the increased costs would not directly pass onto the customers. To sustain Group's competitiveness in the OEM market, the group strategizes to achieve economies of scale, cost reduction, quality control, rework rate reduction and improved operational efficiency with limited wastage.

Automated and Logistic Business

In the past year, turnover and profits of automated and logistic business recorded an outstanding performance. Compared with last year the sale amount increased from approximately HK\$103.9 million to approximately HK\$208.0 million representing about 100.2% increased. The gross profit ratio remained at around 16%. As previously expected, all enterprises are going to increase the investment in automation and intelligent in order to reduce impact of increased labour cost.

FINANCIAL REVIEW

Turnover and Gross Profit

Turnover of the Group reached approximately HK\$787.6 million and represented an increase of 39.3% when compared with approximately HK\$565.4 million in last year. The upturn of sale amount was mainly due to: 1. the marketing strategy – to keep the market share by implementation of profit margin small relative to sales quantity strategy; 2. the increase of investment scale in fixed assets of PRC companies. Entrepreneur in PRC were aware of that the increasing of labour cost and shortage of manpower in PRC would be an irreversible trend so they are now willing to employ more resource to intelligent manufacturing systems and equipment in order to seek effectiveness and profitability. The main driving power of the sale came from Automated and Logistic Business which recorded an increase of 100.2%.

During the year under review, the gross profit ratio (GP ratio) for the year was approximately 13.8%, representing a slightly drop of approximately 0.4%, as compared with last year approximately 14.2%. The decrease of the GP ratio was driven predominantly by the increasing in product cost due to the minimum wage continued to increase in PRC.

Other Income and Gains

During the year, the Group recorded the exchange gains at approximately HK\$6.1 million, recovery of trade receivable at approximately HK\$2.9 million, bank interest income at approximately at HK\$3.0 million and gain on sale of scrap at approximately HK\$2.6 million.

Selling and Distribution Costs

During the year, the Group recorded a selling and distribution cost at approximately HK\$55.7 million and it represents 7.1% of the turnover but it was 8.3% in last year. The main reason for the decreasing in the percentage is that the selling expenses increased in percentage is not much as the increasing in sale amount. The travelling and entertainment expenses represented 1.8% of the sale amount but it was 2.2% last year.

General and Administrative Expenses

The management of the Group implemented various methods to control its general and administrative expenses including departmental cost budgeting and enhancement of the efficiency by review manpower. During the year, the administrative expenses were approximately HK\$53.7 million and it increased approximately HK\$9.1 million compared to last year approximately HK\$44.6 million. Such increase was mainly due to the increase in the labour cost which was approximately HK\$5.1 million.

Finance Costs

Finance costs for the year under review amounted to approximately HK\$0.9 million, representing a decrease of approximately HK\$0.6 million, as compare with approximately HK\$1.5 million in last year. The decrease mainly came from the drop in the bank borrowing under the hedging arrangement but actually this interest expense will be compensated by HK\$1.2 million interest income from pledged deposits under the same hedging arrangement.

Profit for the year

As result of the foregoing, the profit attributable to owners of the Company for the year under review was approximately HK\$9.4 million, representing an increase of approximately HK\$3.7 million, as compared with approximately HK\$5.7 million in corresponding year. The net profit margin was approximately 1.2% for the year under review as compared with approximately 1.0% in year 2013.

EBITDA

The following table illustrates the Group's EBITDA for the respective years. The Group's EBITDA margin was 3.0% for the year under review as compared with 3.6% in corresponding year.

	Year ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Profit for year attributable to owners of the Company	9,426	5,738
Finance cost	865	1,492
Income tax expense	3,370	3,653
Depreciation and amortisation	10,104	9,518
EBITDA	<u>23,765</u>	<u>20,401</u>

Financial Resource, Liquidity and Gearing Ratio

During the year, there was no material change in the Group's treasury policy. As at 31 March 2014, the Group had sufficient cash and banking facilities from its main bankers to finance ongoing working capital requirements. The Group maintained high value of net current assets at approximately HK\$165.7 million and healthy current ratio at 1.5 times (both are adjusted by excluding of pledged deposits HK\$68.0 million and bank borrowings HK\$61.0 million for hedging purpose). There is no other borrowing for the Company as at 31 March 2014 and 2013.

Working Capital Management

The Group continued to maintain a healthy financial position. As at 31 March 2014, the Group held approximately HK\$88.5 million cash and bank balances, which declined HK\$64.0 million from HK\$152.5 million at the beginning of the year. The group's average inventory turnover days was approximately 55 days (2013 approximately 59 days). The Group's average debtors turnover days was approximately 102 days (2013 approximately 102 days). The Group's average creditors turnover days was approximately 71 days (2013 approximately 79 days). The Group remains confident that the net cash position will improve further given continuing profitability and management's continued focus on close working control.

Capital Expenditure on Property, Plant and Equipment

Total capital expenditure for the year was approximately HK\$3.2 million, out of which approximately HK\$0.8 million was spent on the acquisition of machinery and equipment, HK\$1.4 million on acquisition of furniture, fixture and leasehold improvement and HK\$1 million on acquisition of motor vehicles.

Charges on Group Assets

As at 31 March 2014, the Group's banking facilities including its import/export loan, letter of credit documentary credits, and trust receipt and bank borrowings are secured by:

- (i) a first legal charge on certain of the Group's leasehold land and buildings, which had an aggregate net carrying amount at the reporting date of HK\$11.4 million (2013: HK\$11.4 million);
- (ii) bank deposits approximately HK\$68.0 million (2013: HK\$53.6 million);
- (iii) cross guarantee provided by subsidiaries in the Group; and
- (iv) corporate guarantees provided by the Company.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2014, the Group employed approximately 1,465 full time employees in the PRC and approximately 15 were in the Hong Kong office. The Group remunerates its employees based on the industry's practice. In the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including pension scheme and performance related bonuses.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavors to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. The Company has adopted the Code Provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. Save and except as hereinafter mentioned, the Company was in compliance with the Code for the year ended 31 March 2014 except for the derivations from the Code Provision A.4.1 and A.6.7 as set out below.

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. The Company’s non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company’s Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are comparable with those in the Code 14.

Code Provision A.6.7

Pursuant to the Code Provision A.6.7, all Directors of the Company should attend general meetings. However, two Executive Directors and two Independent Non-Executive Directors were absent from the annual general meeting held on 5 August 2013 due to other business commitments. To ensure compliance with the Code in the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors can attend the general meetings.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purpose of reviewing and providing supervision over the Group’s internal controls and financial reporting matters including the review of the annual results for the year ended 31 March 2014. The audit committee comprises the three independent non-executive directors of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this announcement and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the website of the Company (www.suneasthk.com). The annual report of the Company for the year ended 31 March 2014 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

CAUTION STATEMENT

This announcement contains forward-looking statements regarding the objectives and expectations of the Group with respect to its opportunities and business prospects. Such forward-looking statements do not constitute guarantees of future performance of the Group and are subject to factors that could cause the Company's actual results, plans and objectives to differ materially from those expressed in the forward-looking statements. These factors include, but not limited to, general industry and economic conditions, shifts in customer demands, and changes in government policies. The Group undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

List of all Directors of the Company as at the date of this announcement:

Executive Directors:

Mr. But Tin Fu (*Chairman*)
Mr. But Tin Hing
Mr. Leung Cheong
Mr. Leung Kuen, Ivan

Independent Non-Executive Directors:

Mr. See Tak Wah
Prof. Xu Yang Sheng
Mr. Li Wanshou

By Order of the Board of Directors
Sun East Technology (Holdings) Limited
But Tin Fu
Chairman

Hong Kong, 18 June 2014

* *For identification purpose only*